

# FISCAL NOTE

**Bill #:** HB 4

**Title:** Reduce Property Taxes by Increasing  
Direct State Aid to Schools

**Primary**

**Sponsor:** Robert Story

**Status:** As Amended in Senate Tax

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2001 Difference</u></b>	<b><u>FY2002 Difference</u></b>	<b><u>FY2003 Difference</u></b>
<b>Expenditures:</b>			
General Fund	\$18,091,721	\$19,040,179	\$19,892,922
<b>Revenue:</b>			
General Fund	(\$8,273,140)	(\$7,773,140)	(\$7,665,140)
<b>Net Impact on General Fund Balance:</b>	<b>(\$26,364,861)</b>	<b>(\$26,773,319)</b>	<b>(\$27,558,062)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

- HB540 is not law.
- Public School Average Number Belonging (ANB)

ANB	FY 2000	FY 2001	FY 2002	FY 2003
K-6	81,169	79,755	78,471	77,903
7-8	26,555	26,111	25,248	24,711
9-12	52,022	51,529	51,418	50,527
Total	159,746	157,395	155,137	153,141
- In FY99, school districts received \$23.9 million from motor vehicle fees in the district general fund. In the present law, for FY01, school district general funds will budget to receive 75% of their FY00 actual motor vehicle receipts. Growth in revenue between FY99 and FY00 is 6%. The FY01 budgeted amount

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is projected to be 72% of the FY 99 motor vehicle fee receipts. In FY02 and beyond, it is assumed that districts will assume the revenue received in the prior fiscal year when determining their budgets.

4. Under present law, school districts will receive \$2,229,934 in motor vehicle fee reimbursements in FY01. Present law directs schools to anticipate these reimbursements at the prior year level, which for FY01 would be \$0 (FY00 reimbursements).
5. Under present law, the direct state aid percentage for fiscal year 2001 and beyond is 41.8% of the basic and per-ANB entitlements. HB4 proposes to increase the direct state aid percentage to 44.7% for fiscal year 2001 and beyond.
6. The entitlements for schools increase 3% under HB4 as shown:

<u>Entitlement</u>	<u>Present Law</u>	<u>HB4</u>
Basic entitlement for elementary	\$18,000	\$18,540
Basic entitlement for high schools	\$200,000	\$206,000
Per ANB for elementary	\$3,653	\$3,763
Per ANB for High Schools	\$4,869	\$5,015

7. The redistribution of motor vehicle revenue will reduce the amount of guaranteed tax base aid to counties for school retirement costs. This will result in a savings to the state general fund. No estimate for the amount of savings has been made, but it is expected to be less than \$0.3 million per year.
8. The proposed amendments to 15-10-420, MCA will have no impact on state general fund revenues or expenditures.
9. Under current law it is estimated that the state general fund will receive \$8.27 million in light vehicle allocations in FY01. The revenue for succeeding years will be the same as FY01 due to the required reduction in the light vehicle tax to maintain total revenues from light vehicles at FY01 levels. HB4 will divert this \$8.27 million from the state general fund for reallocation to local governments and the state special account for state assumption of welfare.
10. The following table displays the impact of HB4 on FY01 and the following year's motor vehicle fee revenues.

<b>Estimated Impact of HB4 on SB260</b>			
Fiscal Year 2001 and Beyond			
<i>in millions</i>	Current Law FY01	HB4 FY01	Difference
State General Fund	\$ 8.27	\$ -	\$ (8.27)
University 6 mills	-	-	-
State Assumption	0.64	0.75	0.11
County Government	10.08	11.87	1.79
County Road Fund	1.19	1.43	0.24
Countywide Transportation	0.65	0.78	0.12
Countywide Retirement	4.15	4.89	0.74
Schools General Fund	17.95	21.10	3.15
Schools Non-General Fund	4.49	5.28	0.79
Miscellaneous Districts	1.75	2.06	0.31
Cities and Towns	6.76	7.77	1.01
District Court	6.21	6.21	(0.00)
Total	62.14	62.14	(0.00)

11. Current law requires that school district general fund revenues from light vehicles be made whole to FY99 levels. HB4 no longer requires this reimbursement.

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12. It is estimated that the revenue for the state special account for the assumption of welfare will increase \$110,543 in FY01 and succeeding fiscal years due to the proposal.
13. Elimination of the land cap exemption will increase statewide taxable value by \$5.7 million in FY02 and \$6.4 million in FY03. This results in an increase in general fund revenues of \$540,000 in FY02 and \$608,000 in FY03. It also results in an increase in revenue to the university six-mill special revenue account of \$34,000 in FY02 and \$38,000 in FY03.
14. The general fund reserve required by Section 10 for fulfilling the legislature's obligation under SB184 will reduce the unreserved general fund balance by \$37 million at the end of FY2000.
15. The following table summarizes all the effects on the state general fund of HB4 without passage of HB540.
16. The appropriation of \$20 million exceeds the \$18 million FY2001 increase in expenditures by the \$2.2 million appropriation eliminated in HB184.

<b>Estimated Impact of HB4 on State General Fund without HB540</b>			
	FY01	FY02	FY03
Loss in motor vehicle fee revenue	\$ (8.27)	\$ (8.27)	\$ (8.27)
Additional revenue from increased taxable value		\$ 0.54	\$ 0.61
Elimination of SB 184 reimbursement to schools for Motor vehicles	\$ 2.23	\$ 3.50	\$ 3.50
Reduced guaranteed tax base aid due to Motor Vehicle at 98%	\$ 2.98	\$ 0.89	\$ -
Additional cost to increase direct state aid from 41.8% to 44.7%	\$ (9.81)	\$ (10.37)	\$ (10.23)
Additional cost to increase entitlements 3%	\$ (13.50)	\$ (13.06)	\$ (13.16)
Total	\$ (26.36)	\$ (26.77)	\$ (27.56)

**FISCAL IMPACT:**

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Expenditures:</u>			
Local Assistance	\$18,091,721	\$19,040,179	\$19,892,922
<u>Funding:</u>			
General Fund (01)	\$18,091,721	\$19,040,179	\$19,892,922
<u>Revenues:</u>			
General Fund (01)	(\$8,273,140)	(\$7,773,140)	(\$7,665,140)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	(\$26,364,861)	(\$26,773,319)	(\$27,558,062)

**IF HB540 PASSES THE BALLOT IN NOVEMBER 2000:**

17. If HB540 passes the vote of the people in November, the effect of HB4 on HB540 is not determinable. Without the amendments of this bill, HB540 has technical problems that make it very difficult to estimate the true effects. HB4 seeks to correct the technical problems in HB540 and make it consistent

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with the fiscal note used in the 1999 Legislative Session with one exception. The Department of Transportation will not receive the revenues from the local option fee applied to new vehicles. The effect of this is a transfer of revenue from the Department of Transportation special revenue account to local governments of \$0.94 million in FY01 and \$3.11 million in FY02 and beyond.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Elimination of the land cap will increase the taxable valuations of some local governments.

The effect on property taxes from the increased budgeted motor vehicle revenue will reduce local mill levies by approximately \$3 million in FY01 and \$0.9 million in FY02.

The effect on property taxes from the increased level of direct state aid will be a reduction of approximately \$10 million per year or the same as the long-term anticipated cost to the state general fund.

The effect on property taxes from the increased entitlements undetermined. The effect will vary based on the specific situation of the school district budget, the limitations in statute on school budgets, and the decisions of local school boards.

Revenues from light vehicles for all local governments (except school district general fund) will increase. The amount of increase for county governments (including countywide retirement and transportation) is estimated to be \$3.2 million in FY01 and each following fiscal year. The increase in revenue for cities/towns is estimated to be \$1.0 million in FY01 and each following fiscal year. Revenues for school districts non-general funds are estimated to be \$0.8 million in FY01 and each following fiscal year.

LONG-RANGE IMPACTS:

The state's obligation for support of K-12 public schools will be approximately \$23.5 million higher each year as a result of increasing the direct state aid share to 44.7% and increasing entitlements by 3%.